FDIC State Profile

Spring 2004

Utah

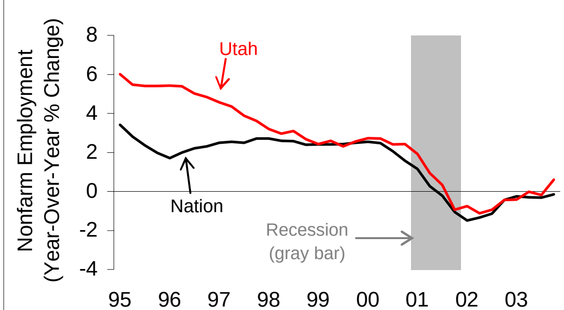
Although only slightly positive, year-over-year non-farm employment growth in Utah in 2003 outpaced the nation.

- Total nonfarm employment increased 0.60 percent year-over-year as of fourth quarter 2003 (See Chart 1). The educational, health and financial service sectors experienced the highest rates of job growth. Employment in the leisure and hospitality sector increased by 1.7 percent year-over-year as of fourth quarter 2003. Utah tourism was stable in 2003, with nonresident visitor counts at the same level as 2002.[1]
- Job losses in the construction and manufacturing sectors dampened total nonfarm employment gains. Job losses in the manufacturing sector were centered in computer and electronics manufacturing, which declined by 4.5 percent year-over-year as of the fourth quarter 2003. However, the 2004 outlook anticipates increased demand for semiconductors and related equipment manufacturers..[2] Additionally, venture capital funding to Utah companies grew from $97 million in 2002 to approximately $102 million in 2003, after declining since 2000.[3]

Commercial real estate (CRE) market deterioration in the Salt Lake City Metropolitan Statistical Area (MSA) could adversely affect a significant number of insured institutions.

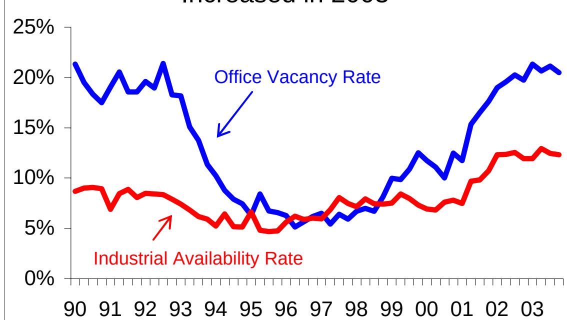
- Office and industrial CRE vacancy rates in the Salt Lake City MSA continued to climb, increasing four percent and three percent year-over-year as of fourth quarter 2003, respectively. The Salt Lake City MSA office vacancy was 21 percent as of year-end 2003, and the industrial vacancy rate was 12 percent. Salt Lake City MSA office and industrial CRE vacancy rates have been increasing for several years, in part, a reflection of continued weakness in the high-tech sector (See Chart 2). In particular, the fourth quarter 2003 Salt Lake City MSA office vacancy rate was the highest among major MSAs in the San

Chart 1: Utah Non-Farm Employment Growth Crossed into Positive Territory in 2003



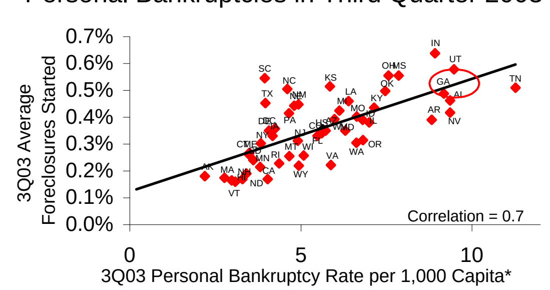
Source: Bureau of Labor Statistics and National Bureau of Economic

Chart 2: Vacancy Rates in Salt Lake City Increased in 2003



Source: Torto Wheaton Research

Chart 3: Foreclosure Starts Correlated to Personal Bankruptcies in Third Quarter 2003



*Note: The bankruptcy rate was estimated using personal bankruptcies for full year ended 2Q03 and population figures for the year 2002.
Source: U.S. Courts, Bureau of Econ. Analysis, and Mortgage Bankers Assoc.

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[1] Mims, Mike, "Forecasters Leaning Toward a 2004 Economic Recovery", The Salt Lake Tribune, January 9, 2004.
[2] Yi, Matthew, "Outlook for Chip Growth", San Francisco Chronicle, January 13, 2004.
[3] Anderton, Dave, "Utah Sees Upswing in Venture Capital", Deseret Morning News, January 27, 2004.

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Francisco Region, and vacancy rates were elevated across all office property classes.[4]

- Most established community institutions[5] headquartered within the Salt Lake City MSA hold high CRE loan[6] concentrations. The median CRE loan-to-Tier 1 capital ratio among this group of institutions was 407 percent as of December 31, 2003, up from 186 percent ten-years earlier. Rising construction and development (C&D) loan concentrations contributed materially to the trend. Over the past decade, among established community institutions based in the Salt Lake City MSA, the median C& D loan-to-Tier 1 capital ratio more than doubled, rising from 63 percent to 130 percent.

- Softer CRE conditions may have adversely affected credit quality among banks operating in the market. Among established community institutions headquartered in the Salt Lake City MSA, the fourth quarter 2003 median past-due CRE loan ratio was 1.64 percent, down from 2.93 percent one-year earlier, and the highest median past-due CRE loan ratio of any major MSA in the Region..[7] However, these institutions also reported some of the highest fourth quarter 2003 median return on average assets (ROA), Tier 1 leverage capital, and allowance for loan-loss-to-total loan ratios of all major MSAs in the Region.

High debt levels contributed to increased bankruptcy and foreclosure activity in Utah.

- Despite recent employment growth, Utah continued to report one of the highest personal bankruptcy and foreclosure start rates in the nation as of third quarter 2003 (See Chart 3). The Utah personal bankruptcy rate rose 3 percent year-over-year as of third quarter 2003 and the state filing rate was 1.7 times the national average. According to the **Mortgage Bankers Association** (MBA), the third quarter 2003 Utah foreclosure start rate was 0.60 percent of all mortgages, essentially unchanged from the third quarter 2002 level of 0.59 percent, and significantly exceeding the national rate of 0.37 percent.

- Utah, with home appreciation of only 1.8 percent compared to 5.6 percent for the nation, ranked last in home price appreciation as of year ending September 30, 2003.[8]

- Despite these negative trends, the median past-due 1-4 family mortgage ratio decreased from 2.70 percent to 1.28 percent year-over-year as of fourth quarter 2003 among Utah-based established community institutions, and fell below the ratio of 1.59 percent reported by insured institutions across the nation.

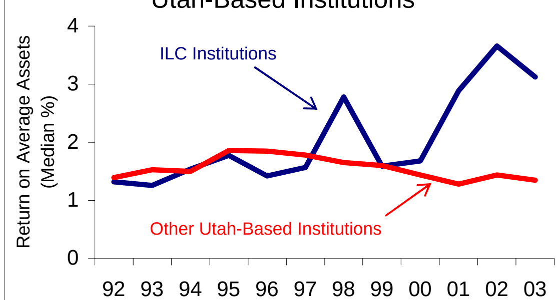
- The median past-due consumer loan ratio among the 29 established community institutions headquartered in Utah remained relatively stable but high at 3.11 percent as of December 31, 2003. However, the median consumer loan net charge-off ratio improved to 1.17 percent for 2003 compared to 0.96 percent for 2002.

During 2003, declining interest rates resulted in narrowing net interest margins among Utah-based insured institutions.

- Tracking the decline in the net interest margin (NIM), the median ROA ratio reported by all Utah-based insured institutions for the year 2003 declined slightly year-over-year from 1.59 percent to 1.55 percent. Narrowing NIM was partially offset by continued control of overhead and provision expenses.

- Institutions chartered as Industrial Loan Corporations (ILCs), which accounted for 41 percent of insured institutions headquartered in the state at year-end 2003, reported much stronger ROA performance (See Chart 4). These companies often pursue higher-risk, higher-yielding loan niches or have non-traditional balance sheet structures. The median NIM at these institutions narrowed year-over-year as of fourth quarter 2003, as asset yields decreased more than twice as many basis points as funding costs. Nonetheless, these companies reported ROAs and NIMs much higher than Utah-based community institutions.

Chart 4: Utah-Based ILCs Outperformed Other Utah-Based Institutions



Note: ILC = Industrial Loan Corporation
Source: Utah Bank and Thrift Call Reports (June of each year)

[4] For further analysis of the Salt Lake City MSA office CRE market, refer to the FDIC Outlook, Spring 2004.
[5] Established community institutions are defined as insured institutions open more than three years, with less than $1 billion in total assets. Industrial loan companies and specialty institutions are excluded from the definition.
[6] CRE loans include mortgages secured by nonfarm-nonresidential, multifamily, and construction projects.
[7] Based upon a comparison of second quarter 2003 median past-due CRE loan ratios within 19 MSAs, in which at least 5 established community nonspecialty institutions with CRE loans were headquartered.
[8] "OFHEO Releases Second Quarter 2003 House Price Index", Office of Federal Housing Enterprise Oversight, December, 1 2003.

Utah at a Glance

General Information	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Institutions (#)	64	60	59	61	55
Total Assets (in thousands)	150,902,267	138,209,726	132,770,724	104,463,753	60,283,527
New Institutions (# < 3 years)	10	10	12	13	11
New Institutions (# < 9 years)	29	26	28	26	22

Capital	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Tier 1 Leverage (median)	13.59	12.08	13.17	12.70	12.72

Asset Quality	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Past-Due and Nonaccrual (median %)	2.82%	3.33%	4.35%	3.67%	2.71%
Past-Due and Nonaccrual >= 5%	19	14	22	17	10
ALLL/Total Loans (median %)	1.69%	1.61%	1.65%	1.75%	1.84%
ALLL/Noncurrent Loans (median multiple)	1.91	1.71	1.78	1.72	1.84
Net Loan Losses/Loans (aggregate)	1.70%	2.66%	2.89%	2.32%	2.19%

Earnings	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Unprofitable Institutions (#)	9	7	10	8	8
Percent Unprofitable	14.06%	11.67%	16.95%	13.11%	14.55%
Return on Assets (median %)	1.55	1.59	1.59	1.48	1.60
25th Percentile	0.72	0.98	0.66	0.77	1.02
Net Interest Margin (median %)	5.26%	5.60%	5.88%	5.95%	5.93%
Yield on Earning Assets (median)	6.84%	7.93%	9.04%	9.61%	9.00%
Cost of Funding Earning Assets (median)	1.32%	2.13%	3.16%	3.75%	3.21%
Provisions to Avg. Assets (median)	0.35%	0.47%	0.48%	0.37%	0.29%
Noninterest Income to Avg. Assets (median)	1.39%	1.32%	1.27%	1.53%	1.80%
Overhead to Avg. Assets (median)	3.87%	3.84%	4.51%	4.45%	4.29%

Liquidity/Sensitivity	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
Loans to Deposits (median %)	85.17%	90.32%	86.64%	85.67%	85.16%
Loans to Assets (median %)	69.49%	73.14%	72.80%	69.14%	67.09%
Brokered Deposits (# of Institutions)	31	31	26	21	18
Bro. Deps./Assets (median for above inst.)	31.90%	23.56%	25.46%	33.52%	22.13%
Noncore Funding to Assets (median)	22.15%	26.00%	22.52%	19.27%	17.08%
Core Funding to Assets (median)	38.71%	50.28%	54.70%	50.30%	63.12%

Bank Class	Dec-03	Dec-02	Dec-01	Dec-00	Dec-99
State Nonmember	47	43	42	42	37
National	7	7	7	8	8
State Member	6	6	6	6	6
S&L	1	1	1	1	1
Savings Bank	3	3	3	4	3
Stock and Mutual SB	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Salt Lake City-Ogden UT	45	147,821,684	70.31%	97.96%
No MSA	12	1,680,579	18.75%	1.11%
Provo-Orem UT	7	1,400,004	10.94%	0.93%